BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 89-593-G - ORDER NO. 90-526

MAY 11, 1990

IN RE: Application of Piedmont Natural Gas Company for Approval of Revised Curtailment Procedures	)))	ORDER

On November 17, 1989, Piedmont Natural Gas Company (Piedmont) filed an Application with the Public Service Commission of South Carolina for approval of revised curtailment procedures. Subsequent to the filing of the Application, a Petition to Intervene was submitted by the Consumer Advocate's office; however, on April 9, 1990, the Consumer Advocate filed a letter with the Commission indicating that it did not wish to participate in any hearing scheduled regarding this matter due to the fact that the proposed curtailment procedures are based on margin considerations.

Based on the evidence in the record, the Commission determined that a hearing would not be necessary in this matter and makes the following findings and conclusions:

1. Piedmont's customers can be divided into two (2) major categories, firm customers and interruptible customers. Firm customers are customers who can expect to receive gas service each and every day of the year. Interruptible customers are customers who expect that their gas service to be curtailed or interrupted

during certain times of the year and whose applicable rate tariff allow such curtailment. Interruptible customers are large industrial users who have alternate fuels that they can use when their service is curtailed. Interruptible customers generally pay lower rates for gas than do firm customers.

2. The amount of gas available for sale to interruptible customers on a given day depends upon a number of factors with weather being the most significant. As the amount of gas available for sale to interruptible customers decreases, Piedmont begins to interrupt or curtail various interruptible customers.

3. From the early 1950's to the mid 1970's gas service was curtailed solely on the basis of the price or rate being paid by the customer. The customer paying the lowest price was curtailed first. This allocation method maximized the revenues of larger customers with alternate fuel capability by more closely matching the price of gas with the alternative fuel price and therefore minimized the revenues required from the residential and commercial customers.

4. Since the revenue contributed by the large industrial customers was and is directly related to the cost of the customers' alternative energy cost this method of allocation is based solely on the economic reasoning of curtailing first those customers who contribute the least to Piedmont's margin and who can replace the gas with the lowest cost alternate fuels.

5. As a result of the unprecedented shortage of gas during the mid 70's, the amount of contractual gas available to Piedmont

was substantially reduced, thus impacting the amount of gas available for sale by Piedmont to its interruptible customers.

6. To effectively allocate these reduced supplies during this shortage, the Commission adopted a curtailment plan based on the end-use of the gas in 1974 and amended it on December 30, 1977.

7. In order to achieve the objectives of the end-use curtailment plan, the Commission simultaneously adopted a rate design that resulted in Piedmont charging essentially the same rate for all classes of customers.

8. The currently effective end-use curtailment plan of Piedmont is inadequate to meet existing conditions for the following reasons:

(a) Conditions have changed substantially since Piedmont's currently effective end-use curtailment plan was approved by this Commission. There is no longer a shortage of gas supplies. To the contrary, at present there is an excess supply of gas to meet current demand. Likewise, there is a abundant supply of alternate fuels. Thus, a customer who is curtailed today has no problem in obtaining alternate fuels during the period of curtailment. In short, the conditions that resulted in the end-use curtailment plan no longer exist.

(b) Since the effective date of Piedmont's current curtailment plan, Piedmont has had three (3) rate proceedings. In these rate proceedings, the Commission adopted rate structures that closely associated Piedmont's rates with its curtailment priorities and allowed Piedmont to compete with alternative fuels. Nevertheless, in some instances, customers paying higher rates are curtailed in order to serve customers paying lower rates. This results in economic efficiencies and higher rates for firm customers.

9. The conditions which caused the Commission to adopt an end-use curtailment plan no longer exist. To the contrary, existing conditions are the same as existed during the period of time when Piedmont curtailed on the basis of price' however, today margin, rather than price or revenue, is more meaningful when determining what contributions a customer is making to Piedmont's system.

10. For these reasons the Commission approves Piedmont's proposal to replace the existing end-use curtailment plan with a curtailment plan based on margin. In addition, the Commission approves Piedmont's proposal to make certain changes in its tariffs to remove language relating to end-use curtailment priorities.

11. The Commission does not change any rates in this proceeding.

IT IS THEREFORE ORDERED.

1. That the revised curtailment plan proposed by Piedmont Natural Gas Company is hereby approved.

2. The revised tariff language contained in the revised tariffs proposed by Piedmont is hereby approved.

3. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Caroline H Thomas
Chairman

ATTEST:

Charles W Ballentine
Executive Director

(SEAL)